

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2012**

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
BOARD OF COMMISSIONERS
DECEMBER 31, 2012

<u>Commissioners</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
P. M. Woods 1551 N. Main Street Zwolle, Louisiana 71486 (318) 645-9721	President	2005	(1)
Peter Nugent 1269 Parkside Drive Zwolle, Louisiana 71486 (318) 645-7791	Vice-President	2000	(1)
Donald Garcie 101 Rock Hill Lane Noble, Louisiana 71462 (318) 645-9212	Sec./Treasurer	2007	(1)
Kenneth Wallace 280 Kimbrell Loop Zwolle, Louisiana 71486 (318) 645-6735		2000	(1)
Larry Ueckert 600 Loggerhead Lane Many, Louisiana 71449 (318) 256-5673		2010	(1)

(1) Commissioners serve at the pleasure of the Police Jury. Terms are not set when appointed.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
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DECEMBER 31, 2012

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EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397


AFFIDAVIT

Personally came and appeared before the undersigned authority, P. M. Woods, President of the Ebarb Waterworks District No. 1, who, duly sworn, deposes and says, that the financial statements herewith given presents fairly the financial position of Ebarb Waterworks District No. 1, at December 31, 2012 and the results of operations for the year then ended in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.



President

Sworn to and subscribed before me, this 18th day of June, 2013.



NOTARY PUBLIC #067903

HINES, SHEFFIELD & SQUYRES, L.L.C.

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Ebarb Waterworks District No. 1
Zwolle, Louisiana 71486

We have audited the accompanying financial statements of the business-type activities of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Ebarb Waterworks District No. 1's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ebarb Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying basic financial statements have been prepared assuming that the Ebarb Waterworks District No. 1 will continue as a going concern. As discussed in Note 12 to the basic financial statements, the District has sustained substantial losses in recent years which has resulted in an accumulated deficit of \$264,180 at December 31, 2012. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 12. The basic financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ebarb Waterworks District No. 1's financial statements as a whole. The accompanying information identified in the table of contents as Other Supplementary Information is presented for the purposes of additional analysis and is not a required part of the financial statements. The Other Supplementary Information schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 18, 2013 on our consideration of the Ebarb Waterworks District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Ebarb Waterworks District No. 1's internal control over financial reporting and compliance.

The financial information for the year ended December 31, 2011, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion with a going concern dated June 22, 2012, on the basic financial statements of the Ebarb Waterworks District No. 1.

Hines, Sheffield & Squyres

Natchitoches, Louisiana

June 18, 2013

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

The Management's Discussion and Analysis of Ebarb Waterworks District No. 1's financial performance presents a narrative overview and analysis of Ebarb Waterworks District No. 1's financial activities for the year ended December 31, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the Ebarb Waterworks District No. 1's financial statements, which begins on page 9.

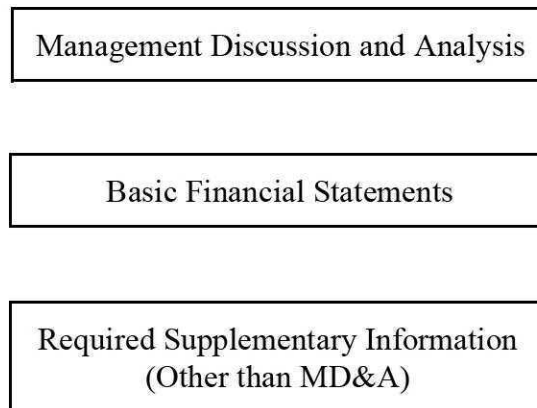
FINANCIAL HIGHLIGHTS

- 1) The Ebarb Waterworks District No. 1 had cash of \$264,828 at December 31, 2012, which represents an increase of \$19,609 from prior year end.
- 2) The Ebarb Waterworks District No. 1 had accounts receivable of \$243,289 at December 31, 2012, which represents an increase of \$55,469 from prior year end.
- 3) The Ebarb Waterworks District No. 1 had accounts payable and accruals of \$175,713 at December 31, 2012, which represents an increase of \$104,498 from prior year end.
- 4) The Ebarb Waterworks District No. 1 had long-term debt of \$3,045,302 for the year ended December 31, 2012, which represents a decrease of \$84,098 from prior year.
- 5) The Ebarb Waterworks District No. 1 had total operating revenues of \$1,588,773 for the year ended December 31, 2012, which represents a decrease of \$50,350 from prior year.
- 6) The Ebarb Waterworks District No. 1 had charges for services revenues of \$1,475,042 for the year ended December 31, 2012, which represents a decrease of \$39,174 from prior year.
- 7) The Ebarb Waterworks District No. 1 had total operating expenses of \$1,287,576 for the year ended December 31, 2012, which represents an increase of \$41,016 from prior year.
- 8) The Ebarb Waterworks District No. 1 had salaries and board per diem of \$265,853 for the year ended December 31, 2012, which represents an increase of \$44,351 from prior year.
- 9) The Ebarb Waterworks District No. 1 had interest expense of \$140,512 for the year ended December 31, 2012, which represents a decrease of \$7,938 from prior year.
- 10) The Ebarb Waterworks District No. 1 had capital asset purchases of \$324,857 for the year ended December 31, 2012, which represents an increase of \$292,183 from prior year.
- 11) The Ebarb Waterworks District No. 1 made principal payments on capital leases of \$28,035 for the year ended December 31, 2012, which represents an increase of \$2,469 from prior year.
- 12) The Ebarb Waterworks District No. 1 made principal payments on long-term debt of \$139,619 for the year ended December 31, 2012, which represents an increase of \$9,482 from prior year.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2012

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Ebarb Waterworks District No. 1 as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consist of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position and Cash Flows (on pages 9, 10 and 11) provide information about the activities of Ebarb Waterworks District No. 1 as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report the District's net position and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2012

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Position
As of Year End

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 516,819	\$ 437,350
Capital assets, net	<u>2,515,568</u>	<u>2,350,639</u>
Total Assets	<u>\$ 3,032,387</u>	<u>\$ 2,787,989</u>
Accounts payable, accruals and other liabilities	\$ 251,265	\$ 130,215
Long-term debt	<u>3,045,302</u>	<u>3,129,400</u>
Total Liabilities	<u>3,296,567</u>	<u>3,259,615</u>
Net position		
Investment in capital assets, net of related debt	(529,734)	(778,761)
Restricted	64,007	27,899
Unrestricted	<u>201,547</u>	<u>279,236</u>
Total Net Position	<u>(264,180)</u>	<u>(471,626)</u>
Total Liabilities and Net Position	<u>\$ 3,032,387</u>	<u>\$ 2,787,989</u>

Net position of the Ebarb Waterworks District No. 1 increased by \$207,446 or 43.99% from the previous fiscal year. The increase is the result of operating and nonoperating revenues exceeding operating and nonoperating expenses during the fiscal year ended 2012 (See table below).

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended

	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 1,588,773	\$ 1,639,123
Operating Expenses	<u>1,287,576</u>	<u>1,246,560</u>
Operating Income/(Loss)	301,197	392,563
Nonoperating Revenues/(Expenses)	(140,205)	(148,380)
Capital Contributions	<u>46,454</u>	<u>1,992</u>
Change in net position	<u>\$ 207,446</u>	<u>\$ 246,175</u>

The Ebarb Waterworks District No. 1's total operating revenues decreased by \$50,350 or 3.07% from the previous year. The total operating expenses increased by \$41,016 or 3.29% from the previous year.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, Ebarb Waterworks District No. 1 had \$2,515,568, net of depreciation, invested in a broad range of capital assets (See table below). This amount represents a net increase (including additions and retirements) of \$164,929 or 7.02% from the previous year.

Capital Assets at Year End (Net of Depreciation)		2012	2011
Land	\$	77,530	\$ 72,530
Construction in progress		130,945	0
Buildings and building improvements		17,457	18,150
Distribution system		2,241,575	2,198,559
Automobiles		12,230	18,344
Machinery and equipment		35,831	43,056
Total		<u>\$ 2,515,568</u>	<u>\$ 2,350,639</u>

This year's major additions included:

Land	\$	5,000
Construction in progress	\$	130,945
Buildings and building improvements	\$	1,684
Distribution system	\$	181,299
Machinery and equipment	\$	5,929

This year's major retirements included:

None.

Debt

Ebarb Waterworks District No. 1 had \$3,045,302 in long-term debt outstanding at year end compared to \$3,129,400 at the previous year end, a decrease of \$84,098 or 2.69% as shown in the table below.

Outstanding Debt at Year End		2012	2011
Capital leases	\$	32,853	\$ 60,888
Certificate of Indebtedness		73,798	0
Loans		50,981	62,841
Revenue bonds		2,887,670	3,005,671
Totals		<u>\$ 3,045,302</u>	<u>\$ 3,129,400</u>

New debt during the year included:

Certificate of Indebtedness - 2012	\$	100,000
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EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2012

ECONOMIC FACTORS AND NEXT YEAR'S RATES AND FEES

Management of Ebarb Waterworks District No. 1 considered the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- 1) Long-term debt
- 2) Cost of operations
- 3) Number of Customers
- 4) Intergovernmental revenues (state and local grants)

The Ebarb Waterworks District No. 1 does not expect any significant changes in next year's results as compared to the current year.

CONTACTING EBARB WATERWORKS DISTRICT NO. 1'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Ebarb Waterworks District No. 1's finances and to show Ebarb Waterworks District No. 1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact P. M. Woods, President, P.O. Box 1366, Zwolle, Louisiana 71486.

EXHIBIT A

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash	\$ 200,821	\$ 217,320
Accounts receivable	243,289	187,820
Prepaid expenses	8,702	4,311
Restricted assets		
Cash	<u>64,007</u>	<u>27,899</u>
Total Current Assets	516,819	437,350
Noncurrent Assets		
Capital assets, net	<u>2,515,568</u>	<u>2,350,639</u>
Total Assets	<u><u>\$ 3,032,387</u></u>	<u><u>\$ 2,787,989</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Current portion of capital lease obligation	\$ 24,068	\$ 26,239
Current portion of long-term debt	157,160	130,666
Accounts payable and accruals	<u>175,713</u>	<u>71,215</u>
Total Current Liabilities	356,941	228,120
Noncurrent Liabilities		
Capital lease obligation, net of current portion	8,785	34,649
Long-term debt, net of current portion	2,855,289	2,937,846
Customer deposits	<u>75,552</u>	<u>59,000</u>
Total Liabilities	3,296,567	3,259,615
NET POSITION		
Investment in capital assets, net of related debt	(529,734)	(778,761)
Restricted	64,007	27,899
Unrestricted	<u>201,547</u>	<u>279,236</u>
Total Net Position	<u>(264,180)</u>	<u>(471,626)</u>
Total Liabilities and Net Position	<u><u>\$ 3,032,387</u></u>	<u><u>\$ 2,787,989</u></u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 1,475,042	\$ 1,514,216
Connect fees	73,277	74,092
Late fees	22,919	24,077
Miscellaneous	<u>17,535</u>	<u>26,738</u>
Total Operating Revenues	1,588,773	1,639,123
OPERATING EXPENSES		
Advertising	899	1,460
Automobile expense	52,639	48,023
Bad debt expense	13,614	10,220
Depreciation	159,928	157,393
Equipment rental	204	49
Franchise fees	1,084	882
Insurance	37,786	35,509
Legal and accounting	16,574	19,920
Licenses and permits	7,853	7,529
Meter installation costs	72,919	77,836
Miscellaneous	20,162	10,582
Office supplies	49,027	45,199
Payroll taxes	20,494	16,934
Repairs and maintenance	39,042	38,428
Salaries and board per diem	265,853	221,502
Supplies	9,940	5,345
Telephone	15,130	13,113
Uniforms	1,126	701
Utilities	32,874	35,139
Water purchases	<u>470,428</u>	<u>500,796</u>
Total Operating Expenses	<u>1,287,576</u>	<u>1,246,560</u>
Operating Income/(Loss)	301,197	392,563
Nonoperating Revenues/(Expenses)		
Interest income	307	70
Interest expense	<u>(140,512)</u>	<u>(148,450)</u>
Total Nonoperating Revenues/(Expenses)	<u>(140,205)</u>	<u>(148,380)</u>
Income/(loss) before capital contributions	160,992	244,183
Capital contributions	<u>46,454</u>	<u>1,992</u>
Change in Net Position	207,446	246,175
Net Position, Beginning of year	<u>(471,626)</u>	<u>(717,801)</u>
Net Position, End of year	<u>\$ (264,180)</u>	<u>\$ (471,626)</u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 1,543,807	\$ 1,624,899
Cash payments to suppliers for goods and services	(820,112)	(876,623)
Cash payments to employees and board members for services	(282,767)	(238,864)
Other operating revenues/(expenses)	<u>17,535</u>	<u>26,738</u>
Net Cash From Operating Activities	458,463	536,150
Cash Flows From Capital and Related Financing Activities		
Capital contributions	21,354	10,720
Principal payments on capital leases	(28,035)	(25,566)
Principal payments on loans	(11,860)	(11,184)
Proceeds from certificate of indebtedness	83,556	0
Principal payments on certificate of indebtedness	(9,758)	0
Proceeds from revenue bonds	0	22,469
Principal payments on revenue bonds	(118,001)	(137,917)
Acquisition/construction of capital assets	(242,933)	(32,674)
Interest paid	<u>(133,484)</u>	<u>(202,969)</u>
Net Cash From Capital and Related Financing Activities	(439,161)	(377,121)
Cash Flows From Investing Activities		
Interest income	<u>307</u>	<u>70</u>
Cash Flows From Investing Activities	<u>307</u>	<u>70</u>
Net Increase in Cash	19,609	159,099
Cash, Beginning of year	<u>245,219</u>	<u>86,120</u>
Cash, End of year	<u><u>\$ 264,828</u></u>	<u><u>\$ 245,219</u></u>
	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income/(loss)	\$ 301,197	\$ 392,563
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	159,928	157,393
Bad debt expense	13,614	10,220
(Increase)/decrease in operating assets		
Accounts receivable	(43,983)	(5,561)
Prepaid expenses	(4,391)	383
Increase/(decrease) in operating liabilities		
Accounts payable and accruals	15,546	(36,923)
Customer deposits	<u>16,552</u>	<u>18,075</u>
Net Cash Flows From Operating Activities	<u><u>\$ 458,463</u></u>	<u><u>\$ 536,150</u></u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

The Ebarb Waterworks District No. 1, a political subdivision of the Sabine Parish Police Jury, was created by Louisiana Revised Statute 33:38.11 and adopted by the Police Jury on March 16, 1977. The District's purpose is to provide water service to any user within the geographical bounds of the district. It is operated by a board that consists of up to five commissioners appointed by the Police Jury.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This Codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles. The accompanying financial statements of Ebarb Waterworks District No. 1 present information only as to the transactions of the programs of Ebarb Waterworks District No. 1 as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of Ebarb Waterworks District No. 1 are maintained in accordance with applicable statutory provisions:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

C. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

D. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 2012, \$0 was considered to be uncollectible.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Restricted Assets

The District, based upon certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt.

F. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by Ebarb Waterworks District No. 1 is charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Fund Net Position. Capital assets net of accumulated depreciation are reported on the Statement of Net Position. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements, 10 to 40 years for the distribution system, 5 years for automobiles and 5 to 15 years for machinery and equipment. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized.

G. Compensated Absences

All full time employees of Ebarb Waterworks District No. 1 earn annual and sick leave at various rates depending on the number of years in service. Leave cannot be accumulated or carried over from one year to the next. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

H. Restricted Net Position

In the statement of net position, equity is classified as net position and displayed in three components:

1. Investment in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvement of those assets.
2. Restricted net position - net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. Unrestricted - all other net position is reported in this category.

The District typically uses restricted funds first, followed by any unassigned funds when an expenditure is incurred for purposes for which amounts in either of these classifications could be used.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

A. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions including savings, demand deposits, time deposits, and certificates of deposit. Under state law, Ebarb Waterworks District No. 1 may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the District may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The deposits at December 31, 2012 were secured as follows:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ 264,828	\$ 0	\$ 264,828
	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Bank Balances (Category 3 Only, If Any)			
a. Uninsured and uncollateralized	\$ 0	\$ 0	\$ 0
b. Uninsured and uncollateralized with securities held by the pledging institution	0	0	0
c. Uninsured and uncollateralized with securities held by the pledging institution's trust department or agent but not in the entity's name	0	0	0
Total Category 3 Bank Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Bank Balances (All Categories Including Category 3 Reported Above)	<u>\$ 270,236</u>	<u>\$ 0</u>	<u>\$ 270,236</u>

The following is a breakdown by banking institution and amount of the balances shown above:

<u>Banking Institution</u>	<u>Amount</u>
Peoples State Bank	\$ 31,933
Sabine Sate Bank	<u>238,303</u>
Total	<u>\$ 270,236</u>

B. Investments

At December 31, 2012, Ebarb Waterworks District No. 1 had investments of \$0.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 3 RESTRICTED ASSETS

At December 31, 2012, Ebarb Waterworks District No. 1 had the following restricted assets:

Cash	\$ 64,007
Total	<u>\$ 64,007</u>

NOTE 4 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at December 31, 2012:

<u>Class of Receivable</u>	
Charges for services	\$ 218,189
Grant receivable	25,100
Other	<u>0</u>
Total	<u>\$ 243,289</u>

NOTE 5 CAPITAL ASSETS

A summary of Ebarb Waterworks District No. 1's capital assets at December 31, 2012 follows:

	Balance December 31, 2011	Additions	Retirements	Balance December 31, 2012
Capital Assets, not being depreciated				
Land	\$ 72,530	\$ 5,000	\$ 0	\$ 77,530
Construction in progress	<u>0</u>	<u>130,945</u>	<u>0</u>	<u>130,945</u>
Total Capital Assets, not being depreciated	72,530	135,945	0	208,475
Capital Assets, being depreciated				
Buildings and Building Improvements	29,908	1,684	0	31,592
Less accumulated depreciation	<u>(11,758)</u>	<u>(2,377)</u>	<u>0</u>	<u>(14,135)</u>
Total Buildings and Building Improvements	18,150	(693)	0	17,457
Distribution System	4,088,351	181,299	0	4,269,650
Less accumulated depreciation	<u>(1,889,792)</u>	<u>(138,283)</u>	<u>0</u>	<u>(2,028,075)</u>
Total Distribution System	2,198,559	43,016	0	2,241,575
Automobiles	89,137	0	0	89,137
Less accumulated depreciation	<u>(70,793)</u>	<u>(6,114)</u>	<u>0</u>	<u>(76,907)</u>
Total Automobiles	18,344	(6,114)	0	12,230
Machinery and Equipment	89,615	5,929	0	95,544
Less accumulated depreciation	<u>(46,559)</u>	<u>(13,154)</u>	<u>0</u>	<u>(59,713)</u>
Total Machinery and Equipment	43,056	(7,225)	0	35,831
Total Capital Assets, being depreciated	<u>2,278,109</u>	<u>28,984</u>	<u>0</u>	<u>2,307,093</u>
Total Capital Assets, net	<u>\$ 2,350,639</u>	<u>\$ 164,929</u>	<u>\$ 0</u>	<u>\$ 2,515,568</u>

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 6 ACCOUNTS PAYABLE AND ACCRUALS

The following is a summary of accounts payable at December 31, 2012:

<u>Class of Payable</u>	
Vendor	\$ 153,243
Salaries and related benefits	11,802
Interest	<u>10,668</u>
Total	<u><u>\$ 175,713</u></u>

NOTE 7 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Ebarb Waterworks District No. 1 for the year ended December 31, 2012:

	<u>Balance</u> <u>Dec. 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Current</u> <u>Amounts</u>
Revenue Bonds-1982	\$ 367,950	\$ 0	\$ 32,954	\$ 334,996	\$ 30,892
Revenue Bonds-1990	1,906,559	0	63,422	1,843,137	73,891
Revenue Bonds-1993	608,380	0	20,061	588,319	18,569
Revenue Bonds-2006	122,782	0	1,564	121,218	1,585
Community Resource Group Loan	62,841	0	11,860	50,981	12,571
Certificate of Indebtedness-2012	0	83,556	9,758	73,798	19,652
Total	<u><u>\$ 3,068,512</u></u>	<u><u>\$ 83,556</u></u>	<u><u>\$ 139,619</u></u>	<u><u>\$ 3,012,449</u></u>	<u><u>\$ 157,160</u></u>

The terms of the individual debt issues of the District are as follows:

	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
Revenue bonds 1982	4.50%	2021	\$ 569,804	\$ 334,996
Revenue bonds 1990	4.50%	2029	2,194,968	1,843,137
Revenue bonds 1993	4.50%	2032	778,650	588,319
Revenue bonds 2006	4.375%	2046	129,000	121,218
Comm Res Group Loan	5.90%	2016	106,189	50,981
Certificate of Indebtedness	0.0%-5.5%	2017	100,000	73,798
Total			<u><u>\$ 3,878,611</u></u>	<u><u>\$ 3,012,449</u></u>

The annual requirements to amortize all debt outstanding as of December 31, 2012 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Revenue Bonds</u> <u>Principal</u>	<u>Revenue Bonds</u> <u>Interest</u>	<u>Loans</u> <u>Principal</u>	<u>Loans</u> <u>Interest</u>	<u>COI</u> <u>Principal</u>	<u>COI</u> <u>Interest</u>	<u>Total</u>
2013	\$ 124,937	\$ 127,238	\$ 12,570	\$ 2,672	\$ 19,652	\$ 2,818	\$ 289,887
2014	130,674	121,504	13,332	1,910	20,591	1,879	289,890
2015	136,677	115,499	14,141	1,101	21,584	887	289,889
2016	142,954	109,224	10,938	266	8,971	65	272,418
2017	149,518	102,659	0	0	3,000	0	255,177
2018-2022	810,833	404,716	0	0	0	0	1,215,549
2023-2027	807,523	226,685	0	0	0	0	1,034,208
2028-2032	512,869	55,375	0	0	0	0	568,244
2033-2037	20,750	13,531	0	0	0	0	34,281
2038-2042	25,816	8,467	0	0	0	0	34,283
2043-2047	25,119	2,311	0	0	0	0	27,430
Total	<u><u>\$ 2,887,670</u></u>	<u><u>\$ 1,287,209</u></u>	<u><u>\$ 50,981</u></u>	<u><u>\$ 5,949</u></u>	<u><u>\$ 73,798</u></u>	<u><u>\$ 5,649</u></u>	<u><u>\$ 4,311,256</u></u>

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 7 LONG-TERM DEBT (CONTINUED)

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

- a) From "Water System Revenue Fund", there must be paid all reasonable and necessary expenses of operating and maintaining the System.
- b) Each month, there will be set aside into a fund called the "Water System Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the total principal and interest maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- c) Each month, there shall be set aside into a "Water System Reserve Fund" a sum at least equal to five percent (5%) of the annual debt payment until such time as there has been accumulated in said fund a sum equal to the highest combined principal and interest amount falling due in any year. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.
- d) Funds will also be set aside into a "Depreciation and Contingency Fund." Money in this fund shall be used to pay the principal and interest on bonds for which there is not sufficient money in the Sinking or Reserve Fund.

Due to insufficient revenues, the District was unable to make monthly deposits as specified above and was therefore in breach of the requirements to maintain certain amounts in the reserve and depreciation and contingency funds at December 31, 2012. See the accompanying management letter for a description of the finding.

NOTE 8 LEASE OBLIGATIONS

Ebarb Waterworks District No. 1 entered into two lease agreements in 2008 and two lease agreements in 2010 for the acquisition of equipment accounted for as capital leases. At the maturity of the lease terms, Ebarb Waterworks District No. 1 will own the equipment. The cost of the equipment is included as an asset and an obligation in the financial statements.

The following is a schedule of future minimum lease payments and the present value of the net future minimum lease payments as of December 31, 2012:

Year Ending December 31	
2013	\$ 25,778
2014	7,777
2015	<u>1,487</u>
Total minimum lease payments	35,042
Less amount representing interest	<u>(2,189)</u>
Present value of minimum lease payments	<u>\$ 32,853</u>

The Ebarb Waterworks District No. 1 is obligated under one lease agreement accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore, the result of the lease agreement is not reflected in the District's fixed assets.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

NOTE 8 LEASE OBLIGATIONS (CONTINUED)

The lease agreement is with the Louisiana Department of Transportation and Development, Sabine River Authority for the use of a water intake, treatment and distribution facility for 40 years, which expires on August 21, 2029. Although the lease agreement requires no lease payments, the District must maintain the intake, treatment and distribution facilities and provide portable water to recreational facilities developed by the Sabine River Authority in the area. The lease can be terminated at the option of the Sabine River Authority for failure to fulfill any one or any portion of the lease requirements.

NOTE 9 CONCENTRATION OF WATER SUPPLY

The Ebarb Waterworks District No. 1 obtained all of its water supply from the South Toledo Bend Waterworks District (93.40%), the Belmont Water System (5.19%) and the Town of Zwolle (1.41%) during 2012.

NOTE 10 LITIGATION

The Ebarb Waterworks District No. 1 was not involved in any litigation as a defendant at December 31, 2012.

NOTE 11 RISK MANAGEMENT

The Ebarb Waterworks District No. 1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the District.

NOTE 12 GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Ebarb Waterworks District No. 1 as a going concern. The District has sustained substantial losses in recent years which has resulted in an accumulated deficit of \$264,180 at December 31, 2012.

Management plans to eliminate the deficit through a combination of actions:

- 1) Management has implemented strict cost control procedures to reduce expenses.
- 2) Management has hired full time employees to reduce cost of outside contractors.
- 3) Management has negotiated and will continue to negotiate a reduction in the cost of purchasing treated water.
- 4) Management has implemented several rate increases and will consider further increases as necessary.
- 5) Management has begun enforcing their disconnect policy on past due accounts.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE 1

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
DECEMBER 31, 2012

<u>Members</u>	<u>Meetings</u>	<u>Amount</u>
Donald Garcie	18	\$ 1,080
Peter Nugent	9	540
Larry Ueckert	15	900
Kenneth Wallace	16	960
P. M. Woods	18	<u>1,080</u>
Total		<u>\$ 4,560</u>

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION #1**SUMMARY OF AUDITORS' RESULTS**FINANCIAL STATEMENTS

- | | | |
|----|--|---------------|
| 1. | Type of auditors' report issued. | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a) Material weakness(es) identified? | No |
| | b) Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. | Noncompliance material to financial statements noted? | Yes |

SECTION #2FINANCIAL STATEMENT FINDINGS

- | | |
|---------|---|
| 2012-01 | The District is in violation of revenue bond covenants requiring funding of reserve, depreciation and contingency accounts. |
| 2012-02 | The District had improper spending on food and gifts around Christmas for employees and board members. |
| 2012-03 | The District approved and paid bonuses of \$3,700 to its employees during 2012. |

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Ebarb Waterworks District No. 1
Zwolle, Louisiana 71486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Ebarb Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Ebarb Waterworks District No. 1's basic financial statements, and have issued our report thereon dated June 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ebarb Waterworks District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ebarb Waterworks District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ebarb Waterworks District No. 1's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ebarb Waterworks District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. A description of the findings can be found at findings 2012-01, 2012-02 and 2012-03 of the accompanying Schedule of Findings and Questioned Costs.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hines, Sheffield & Squyres

Natchitoches, Louisiana

June 18, 2013

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
2011-01	1996	The District is in violation of revenue bond covenants requiring funding of reserve, depreciation and contingency accounts.	Partially	The reserve, depreciation and contingency accounts will continue to be funded until the District is in compliance with bond covenants.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
2012-01	The District is in violation of revenue bond covenants requiring funding of reserve, depreciation and contingency accounts.	The District will continue to fund the reserve, depreciation and contingency accounts until they are in compliance with bond covenants.	P. M. Woods, President	12/31/2013
2012-02	The District had improper spending on food and gifts around Christmas for employees and board members.	The District will evaluate all expenditures and determine that they are appropriate and allowable.	P. M. Woods, President	6/30/2013
2012-03	The District approved and paid bonuses of \$3,700 to its employees during 2012.	The District will not pay any bonuses or amounts that could be considered bonuses in the future.	P. M. Woods, President	6/30/2013

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Board of Commissioners
Ebarb Waterworks District No. 1
Zwolle, LA 71486

We are writing this letter as a follow-up to our recent audit of the basic financial statements of the Ebarb Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of December 31, 2012, and for the year then ended. We offer the following observations and recommendations, which are intended to help improve record keeping procedures and general operations of the District and are intended to be constructive in nature:

1. Existing Condition

The resolution authorizing the issuance of the revenue bonds required the District to establish and fund reserve, depreciation and contingency accounts. As of December 31, 2012, the District has not fully funded the required accounts and is in violation of the revenue bond covenants.

Recommended Action

The District should continue to fund the reserve, depreciation and contingency accounts until they are in compliance with bond covenants.

Management's Response

The District will continue to fund the reserve, depreciation and contingency accounts until they are in compliance with bond covenants.

2. Existing Condition

The District had improper spending on food and gifts around Christmas for employees and board members.

Recommended Action

The District should evaluate all expenditure and determine that they are appropriate and allowable.

Management's Response

The District will evaluate all expenditures and determine that they are appropriate and allowable.

3. Existing Condition

The District approved and paid bonuses of \$3,700 to its employees during 2012.

Recommended Action

The District should not pay any bonuses or amounts that could be considered bonuses in the future.

Management's Response

The District will not pay any bonuses or amounts that could be considered bonuses in the future.

These comments and recommendations are not all inclusive and are not intended to be critical of anyone. We would like to thank the District's management and staff for their courtesy and cooperation during our engagement. If you have any questions or concerns, please let us know.

Hines, Sheffield & Squyres

Natchitoches, Louisiana

June 18, 2013